

BILL # HB 2197

TITLE: tax credit; employees; developmental disabilities

SPONSOR: Konopnicki

STATUS: As Introduced

PREPARED BY: Brian Cary

FISCAL ANALYSIS

Description

The bill creates a non-refundable corporate income tax credit for employers that hire individuals with developmental disabilities. For tax years 2007 through 2012, an employer may claim a credit equal to one-third of the taxable wages, up to a maximum of \$2,000, in the first year of employment for a qualified employee and one-quarter of the taxable wages, up to a maximum of \$1,500, in the second year of employment. No credits are available beyond the second year of employment. The employees must be Arizona residents and not employed by the taxpayer in the 12 months prior to the hiring date. Qualified jobs must offer wages and health benefits comparable to those offered to other employees.

Estimated Impact

The fiscal impact of the bill is estimated to be approximately \$(1.3) million in FY 2008 and \$(1) million in FY 2009. These impacts are based on information provided by The Arc of Arizona, an advocacy group for individuals with developmental disabilities. JLBC Staff derived similar estimates by calculating the proportion of private sector jobs that may go to the developmentally disabled population. The Department of Revenue did not provide an estimate of the bill's fiscal impact.

Analysis

According to the Department of Economic Security, its Division of Developmental Disabilities (DDD) provides employment services to approximately 1,750 individuals. While some of them are employed at sub-minimum wage jobs, DES does not collect information on the wages received by these individuals. The Arc of Arizona's fiscal impact estimate was based on the assumption that approximately 1,350 individuals are currently working in supported employment. By assuming the bill would result in 50% of these individuals finding new positions in the private sector, up to \$1.3 million in tax credits would be claimed in the first year (\$2,000 in credit per 675 jobs) followed by \$1 million in tax credits in the second year (\$1,500 in credit per 675 jobs).

Proposition 202, which increased Arizona's minimum wage from \$5.15 to \$6.75 per hour, may impact this estimate. The new state law requires employers to pay workers at least the minimum wage and does not provide exclusions for the developmentally disabled that federal law provides. If this were to reduce supported employment opportunities, it may increase the fiscal impact of HB 2197 by increasing the number of developmentally disabled workers hired by employers eligible to take the tax credits provided by the bill.

Local Government Impact

Each year cities and towns receive an amount equal to 15% of income tax collections from 2 years prior. This bill would reduce local government distributions by \$(195,000) in FY 2010 and \$(150,000) in FY 2011.